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ABSTRACT

This guide was written for small and rural government officials who have limited experience with the Community Development Block Grant (CDBG) program and with federal grants in general. The use of outside expertise is often necessary in projects involving public facilities, housing, and economic development, some of the principal activities which may be eligible for CDBG funding. The guidebook is designed to help local officials submit better block grant applications, by hiring outside help in the areas of project eligibility and design, needs assessment, and community planning. The guide tells when to use consultants and describes the steps a community should take in selecting and hiring a consultant. It also emphasizes that the use of outside experts need not add unnecessary costs to a project. The guidebook tells how the leaders of Peters Township in rural Pennsylvania completed a wastewater treatment system for less than $400,000, despite a $1 million initial estimate for construction. Township leaders used block grant funds, township employees, volunteers, and a cooperative engineering firm to get the most out of every community dollar invested. The guide also summarizes certain competitive bidding procedures that may apply when federal dollars are involved. (TES)

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Hiring Outside Help

a small town guide to using consultants

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Preface

This guidebook is written for elected leaders of towns, townships and other small communities. Its purpose is to help your community develop more competitive applications for Community Development Block Grants (CDBG) and other federal programs.

The "small cities" CDBG program is used as an example in this guidebook because it provides nearly $800 million a year to small communities under 50,000 in population, and because it is more accessible than many other federal programs.

Thousands of small governments, many under 2,500 in population, have received CDBG funds. As the program has become better known through its benefits to small towns, applications have become more numerous and more competitive.

Over the past four years, the National Association of Towns and Townships (NATaT) and its National Center for Small Communities have provided targeted publications and other technical assistance services to small governments in every state to increase their knowledge of and participation in the "small cities" CDBG program. More than 15,000 towns receive NATaT publications; hundreds of local leaders have attended workshops at state and national conferences, and dozens of communities (as small as 300 in population) have received on-site technical assistance.

This guidebook focuses on the necessary and cost-effective use of consultants. It is intended to provide small-town officials with the tools to submit a well-documented, well-planned and affordable grant proposal.

NATaT thanks all of the small-town leaders who have contributed their thoughts and experience to this project. The work that provided the basis for this guidebook was supported by funding under a cooperative agreement with the U.S. Department of Housing and Urban Development. The substance and findings of the work are dedicated to the public. The author and publisher (NATaT's National Center for Small Communities) solely are responsible for the accuracy of the statements and interpretations contained in this guidebook; such interpretations do not necessarily reflect the views of the government.

Hiring Outside Help

a small town guide to using consultants

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CHAPTER I
Introduction

Contrary to the old adage, most town and township leaders are not only the jack of all trades but also the master of many. It is not unusual for a local official to function as town planner, administrator and budget officer while holding down another full time job.

But all towns occasionally need expertise that isn't homegrown. This brief guide discusses the use of outside experts such as consultants or regional planning staff, in relation to the Community Development Block Grant (CDBG) program.

The use of outside expertise is often necessary in projects involving public facilities, housing and economic development, some of the principle activities which may be eligible for CDBG funding.

The opening chapters address two major questions: when is outside expertise needed and how does a community select the right firm or individual to do the work? The wise use of these resource people is often necessary to insure that a community receives the best return on its investment of time and money.

This guide is written specifically for small and rural governments which have limited experience with the "small cities" CDBG program and with federal grants in general. It is designed to help small communities submit more competitive block grant applications by obtaining adequate help in the areas of project eligibility and design, needs assessment and community planning.

What's here for you?

Chapter II, "When to seek professional advice" examines the essential and non-essential use of consultants and describes the steps your community should take in selecting and hiring an outside resource.

Chapter III, "Getting the best consultant for the job" discusses some of the criteria community leaders may wish to use in choosing a public organization or private firm to provide professional expertise.

The use of outside experts does not have to add unnecessary costs to a project. The case study in Chapter IV tells how the leaders of Peters Township in rural Pennsylvania recently completed a wastewater treatment system for less than $400,000. The initial

estimate for construction was $1 million! Township leaders used block grant funds, township employees, volunteers and a cooperative engineering firm to get the most out of every community dollar.

When federal dollars are involved, certain competitive bidding procedures may apply. These requirements are summarized in the Appendix of the guide.

CHAPTER II

When to seek professional advice

For simple illnesses, most of us like to serve as our own doctor. Aspirin, Ben Gay or some bed rest are usually all we need to get rid of the aches, pains and sneezes that are part of normal life. But some circumstances require us to see a general practitioner or even a specialist to restore our health.

There is an analogy between this wise use of doctors and the use of outside experts by local governments.

Most small towns have the resources to maintain their health through the day-to-day demands placed upon them. But population growth, a changing economy or the need for expanded services may require a specialist to help meet a locality's new and unfamiliar challenges.

Activities funded by the "small cities" Community Development Block Grant (CDBG) program often require the involvement of specialists such as regional planners, architects, engineers, and other consultants. Frequently, block grants are used to help finance activities for which towns and townships have limited staff, experience, and time.

In some instances, the involvement of outside expertise determines the success or failure of a project; in others, local governments pay a very high price for work that could have easily been done "in- house."

Professional help may be needed in the planning, design, construction, or management of a project. At each stage, local governments must decide the level at which they wish to involve non-community resources. Reasonable and necessary consulting fees are eligible expenses under CDBG regulations, but federal policy neither endorses nor discourages the use of outside expertise.

Let's look at how consultants and other experts may help with a project before addressing the question of how much or how little they should be involved.

Planning

Many first time applicants for grant funds are fearful that their project will not be funded unless prepared by an experienced professional. Here are some options which have proven successful for small grant recipients:

- Contact your state CDBG agency for program guidelines, application forms and workshop information. Many states have simplified forms and procedures to encourage small town participants in the block grant program. Often state staff is available to meet on an individual or regional basis with potential applicants. A few states make planning grants to study the feasibility or impact of a larger proposal.
- Use civic organizations or area college students to collect documentation or conduct local needs assessments. State approved survey forms have been used successfully by amateur, as well as professional researchers.
- Contact regional planning organizations or county planning offices. Planning and grant development are often available at nominal fees to local governments from these two resources.

Design

Most small towns should involve professional help when complicated facilities such as treatment plants, bridges and housing rehabilitation are involved. State and local building codes as well as federal requirements may dictate the involvement of licensed personnel in these activities.

Even in the area of design, however, small towns have some latitude. If preliminary designs indicate that a project will be too expensive to build or to maintain, community leaders may consider a scaled-down version or staged development of the original plan.

New and appropriately-scaled technologies for small towns are emerging in areas such as bridge construction and wastewater treatment. Local leaders should seek out firms that are experienced with these alternative techniques and have an interest in small town clients. These firms are often willing to incorporate into project plans the volunteer or low cost labor available in small town America.

Construction

There are no guidelines as to when town and township leaders should involve professional management assistance in the construction of a project. Certainly the size of a project and technologies involved as well as the management experience and availability of local officials should be weighed in making the decision.

Projects in which an architect or engineer is heavily involved in the design phase are likely candidates for the continued presence of these professionals in the construction phase

While town officials should remain involved at all stages of the project, they may wish to retain a consultant on a part-time or per diem basis during construction.

Management

Grant management has made more than one small town official faint hearted. The myth (and sometimes the reality) of federal forms, reporting requirements and financial management procedures have discouraged some towns from even applying for CDBG funds.

Many states allow a percentage of a block grant award to be used for administrative costs. For small towns with a one-year award, it often makes sense to contract with an outside resource person or organization to manage a grant rather than to hire additional staff for a short period of time.

In addition to experienced management and accounting firms, small towns have used regional planning organizations and other local government grantees in the area as managers for their CDBG awards. Town leaders remain responsible, however, for meeting all provisions in the grant agreement, regardless of who keeps the records and fills out the reports. Town officials should carefully review all documents before they are submitted to the state as well as all checks written against the CDBG account.

Even when hiring the most experienced of grant managers, town and township leaders should be familiar with the obligations to which they are committed in the areas of record keeping, civil rights, environmental protection, etc.

Consultants, after all, do not relieve local leaders of their responsibilities but provide the temporary help and expertise needed to carry them out.

CHAPTER III

Getting the best consultant for the job

Penny Wise, Pound Foolish
Good Money After Bad
A Dollar Saved is a Dollar Earned

The English language is full of contradictory advice when it comes to financial dealings, and local leaders must weigh all of these possible outcomes when hiring a consultant.

The decision to seek outside help is particularly difficult for small town officials who may fear that voters will conclude either that local leaders cannot do the job they were elected to do, or that they are spending hard-earned, public tax dollars for high-priced, private assistance.

Under ideal circumstances, however, this investment of public dollars should remind voters of another well-known saying, "You have to spend money to save money."

This chapter reviews the steps a community should take *after* the decision to hire an outside firm or individual has been made. It suggests some criteria for judging who is best qualified for the job, and the procedures for attracting cost effective proposals from the top firms. (Chapter II describes when and how to involve outside experts from both the private and public sectors.)

The decision to hire a consultant should be the result of a well organized planning effort. Before the search for a consulting firm begins, the local official(s) given responsibility for negotiating a contract should have a general description of the need and purpose of the project, the project's major components or stages, a time table for completion and general budget requirements and constraints. As negotiations proceed, more detailed information in each of these areas will be developed.

The four major steps in selecting a consultant usually involve the identification of qualified firms or individuals, a request for proposal, the selection of the best proposal and the negotiation of a contract. The circumstances under which non-competitive negotiation is allowed are described in the procurement requirements, which appear in the Appendix.

Qualified firms

Small-town leaders have shared with NATaT some special criteria which have helped them select a firm or individual well suited to work on small town or rural projects. Based on its cooperation with small communities in the areas of economic and community development, NATaT recommends consideration of firms that possess the following characteristics:

- previous experience with small town clients;
- successful track record with similar projects;
- willingness to work with community leaders to minimize costs through use of volunteers or other public resources;
- documentation of past projects completed at or near estimated costs and in a timely manner; and
- demonstrated willingness and ability to use innovative technologies, financing options, etc., when appropriate for small communities.

Your search for qualified consultants may involve calling neighboring communities with similar projects, contacting membership or professional associations to which engineers, architects, etc. belong, calling the state "small cities" agency for a list of qualified contractors, seeking references from regional or county planning agencies and/or advertising in area newspapers or in the state town or township association publication.

In order to limit the number of formal responses, many communities issue an invitation to submit a "letter of interest" and "qualification package." These documents allow an initial screening of interested firms based on key personnel, project experience, past performance, availability when needed, etc.

Request for proposal

Whether initial screening is conducted or not, a critical step in hiring a consultant is the issuing of a "request for proposal."

This request provides interested parties with detailed information on your community's project and the type of assistance you need.

Remember, the responses a community receives can only be as good as the RFP itself. The more detailed the request and budget information, the more accurate the cost and completion date estimates will be. When responses to the RFP can be compared on an item-by-item or stage-by- stage basis, the selection process will be speeded up as well.

A well structured RFP should include the following:

- project title and statement of need;
- general scope of work;
- time schedule for each major task within overall schedule for project completion;
- budget and contract arrangements;
- time, date and place for proposal submission; and
- name of client contact.

Typically, communities should allow four to eight weeks for consultants to prepare and submit their proposals.

Proposal selection

When projects are funded wholly or partially with federal funds (such as CDBG), local governments must use one of the four procurement methods set forth in the federal Office of Management and Budgets Circular A-102.

Federal *small purchase* procedures apply to contracts of not more than $10,000 for equipment, service and/or supplies. If state or local laws establish a lower threshold, then the more stringent standard must be followed. Records of competitive bids, whether oral or written, should be maintained by the local government.

The *competitive sealed bid* method is acceptable in cases where job specifications or purchase description can be fully developed and when it is appropriate to select the successful bidder principally on the basis of price.

Most contracts involving architects or engineers are conducted according to *competitive negotiation*.

The major steps in this method are discussed below. The federal procurement procedures, found in the Appendix, outline the special circumstances in which sole source or *non-competitive negotiation* is justified, as well as summaries of the other three federal procurement methods. In using the federal competitive negotiation method, local governments must publicize that price is a determining factor in selecting among the qualified firms.

Competitive bidding procedures generally involve the consideration of a minimum of three serious proposals offered in response to the RFP. Each proposal should cover the scope of work to the satisfaction of the town or township selection committee and should contain cost estimates that are comparable in the work they cover.

The firms selected should make a detailed presentation to a group representing the local government which has both technical expertise and a knowledge of general community interests. Members of

the selection committee should categorically avoid any real or perceived conflict of interest in choosing consultants or contractors.

In addition to the criteria mentioned earlier, the selection committee should weigh a candidate's performance and/or qualifications in the following areas:

- education, experience and expertise of key employees and their availability to work specifically on *your* project. The reputation of a well-known firm does not assure that all employees are equally capable;
- total performance in completing similar projects including accuracy of cost estimates, maintaining work schedules and post-construction performance in terms of operations and maintenance costs;
- availability of specific facilities, equipment or technical expertise required for your project (i.e., computer capability, graphics, laboratory equipment, etc.);
- reputation within its field of expertise and financial stability; and
- ability to work with key community leaders and to be sensitive to community concerns.

Federal grant recipients are strongly encouraged to seek out minority and/or women contractors or consultants. The state "small cities" agency often has a list of qualified minority contractors available.

Negotiation

When the small purchase and competitive sealed bid methods do not apply, a legally binding contract must be negotiated between the locality and the consulting firm.

In addition to areas such as project tasks, schedule, personnel and management responsibilities, the contract should specify total compensation, payment method and payment schedule. There are a number of accepted fee arrangements including fixed fee (appropriate when services can be well defined in advance); per diem (when work is for limited duration or is somewhat irregular); percentage of estimated construction costs (when project costs are difficult to define fully in advance); and, finally, a contingency arrangement in which payment is based on results (for instance, a consultant would be paid for preparing a CDBG application only if the proposal is funded).

The contract should specify the time frame and basis for payment. Most consultants require partial payment during the course of the project to cover ongoing expenses. Many localities will reserve

10 percent of the total payment until close out when all work has been completed to their satisfaction. The town council should review all contracts before they are signed.

Remember, that the signing of a contract is the beginning, not the conclusion of a formal arrangement with your consultant. There should be one local official given the responsibility to answer questions, provide guidance and resolve disputes involving project work. Consultants often complain that they only hear from their municipal employers when there are problems.

Carefully selected and well supervised consultants can save your local government both time and money by providing you with the temporary expertise you need to complete a project at a price far below what a full-time employee would cost. The more you know about your community needs the better your chance of forging a rewarding partnership.

CHAPTER IV

Looking like a million

"Galen, this system could have cost over a million dollars."

The project engineer's comment confirmed what Supervisor Galen Heckman already knew: Peters Township, Penn. had brought its wastewater treatment system on line for less than $400,000 – or $600,000 less than original estimates. Ingenuity, cooperative engineers and contractors, "small cities" Community Development Block Grant (CDBG) funding and the right technology all played key roles in making the long delayed project affordable.

Peters Township (pop. 4,200) is located in south central Pennsylvania, an hour and a half drive west of Harrisburg. Historically an agricultural area, residents of the township and its five unincorporated villages now are employed in manufacturing munitions, trucks, hydraulic cranes and clothing, as well as in the growing service industries. Despite the absence of commercial business in the township itself, a high water table and poor soil absorption have caused increasing concern over wastewater treatment.

The village of Upton, for instance, has been on the state's wastewater priority list for 17 years, but was never ranked high enough to receive the limited federal funding available.

In recent years, septic tank failures led to a ban on new construction within the village limits. Heckman and other community leaders were anxious to act but were stymied by the prohibitive cost of a conventional treatment system with gravity sewers.

An innovative system

Two developments in 1984 opened the way for Upton's innovative wastewater solution.

First, a long-time county resident, familiar with area water quality problems, alerted Heckman to a new treatment process. Utilizing existing septic tanks and pressurized lines, this alternative technology avoided the substantial costs required for excavation in conventional gravity collection systems.

Second, Peters Township became eligible for CDBG funding under Pennsylvania's revised distribution system which enabled communities over 4,000 to obtain funding on an entitlement basis for eligible projects. Heckman immediately applied for an additional $50,000 from competitive state block grant funds. The application was approved by the Pennsylvania Department of Commerce because the area served exceeded the threshold of 51 percent low and moderate income people and the activities would alleviate an immediate threat to public health.

Heckman says of himself, "I welcome challenges and I am not afraid to ask questions." With this positive attitude and his "God-given talent for understanding machinery," Heckman moved into the unfamiliar territory of community wastewater treatment systems.

Two objectives

Two objectives had to be met: the treatment process had to satisfy the federal water quality standards contained in a permit issued by the state Department of Natural Resources, and the system had to be affordable to the low- and moderate-income residents of Upton Village.

Recognizing that the township needed technical help with the collection and treatment components of the system, Heckman located an area consultant who provided environmental assistance for around $1,000. The technology was developed by a local engineering firm which submitted a low bid of $20,000. The figure also included substantial survey work.

Lagoon system selected

The first and easiest decision concerned the treatment plant. Peters Township constructed a four-cell, low-maintenance lagoon system capable of treating wastewater from up to 100 homes. It was built on non-agricultural land and is capable of maintaining the secondary treatment standards required by Upton's federal wastewater permit.

The larger challenge remained; making the system affordable.

In rural areas, the collection system, not the treatment plant can account for up to 80 percent of total costs. The distance between homes, the contour of the land and the presence of rock formation are major contributors to the high cost of sewer lines. The Standard Treatment Effluent Pump (STEP) system, which had prompted Heckman's initial optimism, involved two important innovations. First, it utilized a submersible pump within existing septic tanks to transport partially clarified wastewater to the treatment plant, and second, the presence of the pressure within the lines enabled the use of small diameter pipe that could follow the lay of the land. The system would not require the deep excavation or expensive lift stations which gravity collection requires.

Labor intensive project

Even with the state's approval of a low-cost, low-maintenance technology, the system was labor intensive. With township board approval, Heckman committed the township's three employees to installing the new system during the hours not spent on essential business. The use of "home town" labor utilized the existing payroll, record keeping and benefit system of Peter's Township and avoided the possible increase in wages that occurs when Davis-Bacon Act guidelines are involved in contract work.

Heckman also obtained the use of two important pieces of equipment through competitive bidding; a front-end loader for septic tank installation and a trencher for laying the collection lines.

This cooperative effort got off to a resounding start when one township employee and the trencher operator laid 1,900 feet of pipe on the first day.

Keys to saving money

What were the keys to saving additional money? Heckman mentioned the following:

• *Cooperation of the consulting engineers and contractors* – At an extremely reasonable price, the engineering firm designed a system that could be built and operated by township personnel and afforded by township residents.

Having worked previously with Peters Township, the firm had existing topographic maps of the wastewater system service area. These were provided to the pump company which ran the elevations through a computer to determine the pump size for individual homes. Similarly, the engineering firm sent the treatment plant permit requirements to the equipment manufacturer which provided specifications for the aeration pipe and blowers at no cost.

• *Acting as one's own contractor* – In addition to relying primarily on its own employees, Peters Township acted as the project contractor. Heckman estimates he managed over a dozen competitive bids for everything from the panel boxes at each home which run the submersible pumps, to the chain link fence around the lagoon. Township personnel even installed the aeration pipe and blowers up to the warrantee specifications of the manufacturer.

As the contractor and beneficiary, the township operated on a non-profit basis and did not charge for indirect costs or use of township equipment.

• *Citizen support* – At the first of the public participation meetings required under the CDBG program, township residents offered overwhelming support for the project. To save the cost and inconvenience of street repair, township officials proposed hookups at the back of each property where septic tanks are normally located. In return, property owners cooperated in granting the necessary easements to build and maintain the system.

With the use of block grand funds prohibiting the township from charging a hook-up fee, residents agreed to pay, if necessary, the $500 to install or upgrade their septic tanks in order to accommodate the submersible pumps. User fees will run only $18 a month for system maintenance, since additional block grant funding from 1985 to 1987 will cover the entire cost of construction.

Sixty-eight homes are currently served by the system and there is capacity to add up to 30 more.

Heckman says cooperation by all parties is the key to other governments achieving similar results. He feels that small town leaders must perform a balancing act between township codes, state laws and federal eligibility requirements, but that cooperative contractors and consultants can save thousands and thousands of dollars.

Taking advantage of local strengths, and hiring help when needed, Galen Heckman has his township "looking like a million" even though it cost a great deal less.

Appendix

Federal procurement requirements

In a recent survey, the U.S. Department of Housing and Urban Development (HUD) found widespread deficiencies in the use of consultants by localities participating in the "small cities" Community Development Block Grant Program.

The following excerpts are taken from a current HUD notice defining the procurement responsibilities of "small cities" Community Development Block Grant recipients. They expand on the topic of procurement methods and documentation which were raised in a previous chapter, "Getting the Best Consultant for the Job."

Selecting method of procurement

Attachment O of Circular A-102 (issued by the federal Office of Management and Budget) sets forth four types of procurement methods. The recipient should select the most appropriate method based on the recipient's need and the nature of the services required.

- *Small Purchase* – This method of procurement is used to purchase supplies, equipment, services, or other property with a cost of not more than $10,000 (recipients should contact the individual state CDBG agency for its ceiling for small purchases). Competition in all cases must be sought by obtaining oral or written price quotations from more than one bidder. When competition is obtained orally, supportive documentation must be maintained.
- *Competitive Sealed Bids* (formal advertising) – is used when the following conditions exist: (a) A complete, adequate and realistic specification or purchase description is available; (b) two or more responsible suppliers are willing and able to compete effectively for the recipient's business; and (c) the procurement lends itself to a firm fixed-price contract (a specified price to be paid when the items or services are delivered), and selection of the successful bidder can appropriately be made principally on the basis of price. Bids are solicited in publications and kept in confidence until there is a public bid opening.

A firm-fixed price contract is awarded to the responsible contractor whose bid is responsive and lowest in price.

• *Competitive Negotiation* – may be used if conditions are not appropriate for the use of formal advertising. This type of procurement may be used when the selection could be based on factors other than price, such as experience and capacity. Only fixed price (a specified price to be paid when the items or services are delivered and accepted) or cost-reimbursement (price is usually reimbursed as costs are incurred) may be awarded.

Proposals must be solicited from two or more qualified sources to permit reasonable competition consistent with the nature and requirements of the procurement.

A Request for Proposal must be issued and publicized which identifies all the factors that will be used to evaluate submissions, including the importance that price or cost will play in the selection.

All proposals received must be evaluated; negotiations will be conducted normally with more than one of the bidders submitting offers.

The award may be made to the offeror whose proposal would be most advantageous to the recipient, considering prices and other factors identified in the Request for Proposal.

• *Noncompetitive negotiation* – is procurement through solicitation of a proposal from only one source, or after solicitation of a number of sources, competition is determined inadequate. Circumstances under which a contract may be awarded by noncompetitive negotiation are limited to the following: (a) after solicitation from a number of sources, competition is determined inadequate; (b) the items or services required are available only from one source; (c) if the state agency in the State-administered CDBG program authorizes the noncompetitive method; (d) public exigency or emergency is such that the urgency will not permit a delay beyond the time needed to employ one of the other methods described above.

Developing supportive documentation

All procurement transactions must be documented. Regardless of the method of procurement chosen, recipients must develop and retain records to demonstrate their reasons for choosing the method of procurement, consultant qualifications, contract specifications or scope of work and the basis for selection or rejection of the contractor. Contract records must also document the basis for the contract price, including the cost analysis used to determine the contract price.

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NATaT and the National Center for Small Communities

The purpose of the National Association of Towns and Townships (NATaT) is to strengthen the effectiveness of towns, townships and small communities and promote their interests in the public and private sectors.

NATaT is a non-profit membership organization offering technical assistance, educational services and public policy support to local-government officials from more than 13,000 towns, townships and other small communities across the country.

Developing effective federal policy

Through its National Center for Small Communities, the association conducts research and develops public policy recommendations which are scaled to the unique needs and nature of rural governments and small towns. By analyzing federal and state initiatives, and disseminating information about them, NATaT and the national center keep local officials abreast of decisions and actions of national import, so they can better manage change in their communities.

Education and information

NATaT's educational conferences, training, workshops, specialized publications and audio-visual resources help small-town officials cope with change in their communities—and improve the quality of life for rural people. The assocation's annual conference for small-town officials is the largest town meeting in the nationa. If focuses on federal programs and policies affecting small communities. NATaT publishes a monthly news journal, "The Reporter," which is the only national source of intergovernmental policy news and "how-to" information written exclusively for small town officials. The journal's topics range from community and economic development funding to tested small-town management and planning techniques.